

Message Text

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R 112206Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY LAGOS

C O N F I D E N T I A L STATE 120782

FOR AMBASSADOR---EYES ONLY---FROM AF/W

E.O. 11652: GDS

TAGS: BPRO, EINV, PDEV, PERP, NI, UR

SUBJECT: BECHTEL INTEREST IN REPLACING SOVIETS AT AJAOKUTA
STEEL PROJECT

1. BECHTEL VICE PRESIDENT, KEITH THOMSON, ACCOMPANIED BY
BECHTEL WASHINGTON REP, FRED NOONAN, VISITED AF/W MAY 10
FOR TOUR D'HORIZON OF CURRENT NIGERIAN DEVELOPMENTS AND
TO SEEK ADVICE ON FOLLOWING MATTER WHICH THEY REQUEST BE
HELD IN UTMOST CONFIDENCE. BECHTEL, IN CONJUNCTION WITH
UNNAMED JAPANESE FIRMS(S) IS PREPARED TO PROPOSE TO FMG
THAT IT FINANCE AND BUILD BLAST FURNACE STEEL COMPLEX AT
AJAOKUTA. ALTHOUGH BECHTEL DID NOT PROVIDE DETAILS,
THOMSON DID SAY THAT MILL WOULD HAVE INITIAL CAPABILITY
OF PRODUCING 1.3 MILLION TONS PER YEAR WITH EVENTUAL
CAPACITY OF 5 MT/Y. BECHTEL WOULD BE WILLING TO TAKE
PERCENTAGE OF EQUITY AND WOULD BRING MUCH (IF NOT ALL)
OUTSIDE FINANCING. IT WOULD CONSIDER TAKING AT LEAST
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PARTIAL PAYMENT IN PETROLEUM IF FMG SO DESIRED AND, IN
GENERAL, WOULD BE WILLING TO MEET MOST FMG DEMANDS IN
TERMS OF EQUITY INVESTMENT, DEBT FINANCING, AND OTHER
SALIENT FEATURES OF FMG PLANS FOR ERECTION OF STEEL MILL.

COMMENT: BECHTEL KNOWS ONLY TOO WELL OF FMG'S LONG-
STANDING DIFFICULTIES WITH SOVIETS IN GETTING THIS PRO-

JECT OFF THE GROUND AND DOES NOT WISH TO PARTICIPATE IN
THIS PROJECT IF SOVIETS ARE RETAINED. END COMMENT.

2. BECHTEL AND DEPARTMENT DESIROUS OF AMBASSADOR'S
COMMENTS ON ADVISABILITY OF BECHTEL MAKING SUCH PROPOSAL
TO FMG IN NEAR FUTURE. IN PARTICULAR, WHAT IS THE
LIKLIHOOD OF FMG'S CASTING OFF SOVIETS AT THIS LATE DATE,
EVEN IF THERE HAS NOT YET BEEN MUCH PROGRESS? WOULD
FMG BE JEOPARDIZING ITS RELATIONSHIP WITH SOVIET UNION
IF THEY ACCEPTED BECHTEL OFFER ON PURELY COMMERCIAL/DE-
VELOPMENTAL GROUND? WOULD FMG LIKELY DISMISS SOVIETS IN
FAVOR OF MAKING REAL PROGRESS ON PROJECT SO DEAR TO
NIGERIAN HEARTS? WOULD BECHTEL APPROACH TO FMG HURT ITS
CHANCES OF SUCCESS IN WINNING A ROLE IN OTHER MAJOR PRO-
JECTS OF INTEREST TO COMPANY SUCH AS PETROCHEMICALS,
FERTILIZER, JOINT VENTURE, ETC? YOUR PROMPT ASSESSMENT
WILL BE GREATLY APPRECIATED BY BECHTEL SINCE FURTHER
PURSUIT OF THIS PROJECT WILL BE A COSTLY AFFAIR THAT
MAY BE AN UNNECESSARY EXPENDITURE IF THERE IS LITTLE OR
NOTHING TO BE GAINED.

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